

**DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
REPORT ON CONTRACT  
FINANCIAL COMPLIANCE  
CALENDAR YEAR 1997**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Department of Human Services  
TAVARES PEDIATRIC CENTER, INC.  
REPORT ON CONTRACT FINANCIAL COMPLIANCE  
Calendar Years 1997 Through 1993

EXECUTIVE SUMMARY

The prior audit report for Tavares Pediatric Center, Inc., issued September 13, 1993 by the Bureau of Audits, cited one recommendation that has been implemented.

Based on our contract compliance engagement for the calendar years 1997 through 1993, we determined the following:

- A net settlement of \$88,413.01 is due to the Department of Human Services (DHS) from the Provider as a result of excess per diem rates, and payment adjustments for the period under review.
- The Provider has a total of 424 days unpaid by Electronic Data Systems (EDS), which were authorized by DHS. This amounts to a receivable of \$162,658.43 for the period under review.

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
CALENDAR YEAR 1997

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February 14, 2000

Ms. Christine Ferguson, Director  
Department of Human Services  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Ferguson:

We have examined the cost report submitted by Tavares Pediatric Center, Inc., for the following DHS Funded Skilled Nursing Facility for the Mentally Retarded (SNF/MR) for the calendar year 1997.


<u>Facility</u>	<u>License Number</u>
Tavares Pediatric Center	642

The report contained herein represents the consolidation and field audit revision report approved by your department to provide for greater and more timely audit coverage to your providers. This audit is based on the most recent year audited. For settlement purposes this report includes calendar years 1993 through 1996.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and the Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of Human Services and to the director and staff members of Tavares Pediatric Center, for their assistance and cooperation during the course of this engagement.

Sincerely,

  
Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
CALENDAR YEAR 1997

SCOPE AND PURPOSE

The purpose of this examination was to audit the most current year cost report (1997) submitted by the provider of services funded by the Department of Human Services and make settlements for that year and also make settlements for all prior unaudited years.

The review of prior unaudited years (1993-1996) was limited to reviewing selected accounts and making adjustments based on risk factors developed through the testing of the current year accounts, the prior field audit, prior year cost reports, and sampling.

The purpose of this audit was to determine:

- whether expenses were allowable in accordance with the principles of reimbursement.
- through the verification of census records the total client days used in calculating audited per diem rates
- if the clients' clothing funds, personal needs funds, and client wages were properly maintained in accordance with the prescribed guidelines.

Our audit of DHS programs was made in accordance with the "Federal Medicare Principles of Reimbursement" issued by the Social Security Administration, Bureau of Health Insurance HIM-15 adopted by the State of Rhode Island with the exclusion of return of net equity and the approved providers' operating budgets. Additionally, we have audited the Clients' Clothing Account Funds in accordance with the "Principles for Skilled Nursing and Intermediate Care Facilities," and the Clients' Personal Needs Funds in accordance with the "Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities."

Our examination of the financial records included verification of revenues and expenses through testing procedures which were deemed necessary in the circumstances.

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
CALENDAR YEAR 1997

BACKGROUND

Tavares Pediatric Center, Inc., is a skilled nursing facility that has the capacity to service thirty multi-handicapped children. The facility is located at 101 Plain Street, Providence, Rhode Island and is operated as a proprietary corporation.



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December 10, 1998

Ms. Christine Ferguson, Director  
Department of Human Services  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Ferguson:

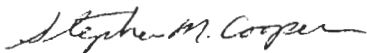
We have performed the procedures enumerated below which were agreed to by the Department of Human Services (DHS) and Tavares Pediatric Center, Inc. (Provider), solely to assist the users in evaluating the Provider's assertion about their compliance with DHS's Principles of Reimbursement HIM-15 to the Service Provider Cost Reports, Clients' Clothing Account Funds to DHS's Principles for Skilled Nursing and Intermediate Care Facilities and Clients' Personal Needs funds to DHS's Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities for the calendar year 1997. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1993 through 1996 which allowed us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Based on the application of the procedures referred to above, we have determined a final rate settlement for the SNF/MR for the calendar years 1993 through 1997 with provisions of DHS's Principles of Reimbursement HIM-15 and determined ending client fund balances for the calendar years 1993 through 1997 with provisions of to DHS's Principles for Skilled Nursing and Intermediate Care Facilities and Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

Christine Ferguson, Director  
December 10, 1998  
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We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the Provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of DHS and the Provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb



DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
SKILLED NURSING FACILITY/MENTALLY RETARDED  
STATEMENT OF REVENUES AND EXPENSES - SNF/MR'S  
CALENDAR YEAR 1997

REVENUES	
DEPT. OF HUMAN SERVICES	
ROOM & BOARD	\$ 3,412,276
SOCIAL SECURITY INCOME	15,589
INTEREST	6,510
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TOTAL REVENUES	\$ <u>3,434,375</u>
EXPENSES	
WAGES	\$ 2,051,688
HEALTH INSURANCE	114,917
OTHER FRINGES	34,466
PHARMACIST	980
OCCUPATIONAL THERAPIST	18,664
SPEECH THERAPIST	18,107
PSYCHOLOGIST	7,695
SOCIAL WORKER	1,215
OTHER	61,733
OFFICE SUPPLIES	11,678
TELEPHONE	7,428
TRAVEL-MOTOR VEHICLE	2,338
TRAVEL-EMPLOYEES	3,117
CONVENTIONS, MEETINGS	3,110
ADV.-HELP WANTED	9,026
LICENSES	1,085
ORGANIZATIONAL DUES	5,392
COMPUTERIZED PAYROLL & DATA PROCESSING	3,858
ACCOUNTING & AUDITING	15,940
LEGAL SERVICES	225
PAYROLL TAXES	182,414
INSURANCE	102,055
MISCELLANEOUS	13,196
HCPA-PROVIDER TAX	213,947
REAL ESTATE- PERSONAL PROP. TAXES	15,370
RENT/LEASE OF BUILDING	122,744
LEASE OF EQUIPMENT	37,023
AMORTIZATION OF LEASEHOLD IMPROV.	640
EQUIPMENT DEPRECIATION	13,895
MOTOR VEHICLE DEPR.	7,743
ELECTRICITY	18,416
PLANT SUPPLIES	11,125
PURCHASED SERVICES & REPAIRS	14,337
FOOD & KITCHEN SUPPLIES	9,052
LINEN, LAUNDRY SUPPLIES & SERVICE	42,820
HOUSEKEEPING SUPPLIES	12,387
PHARMACY SUPPLIES	229,263
RECREATIONAL SUPPLIES	1,698
	<hr/>
TOTAL EXPENSES	\$ <u>3,420,787</u>

See accompanying notes to the financial information.

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
CALENDAR YEAR 1997

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial information is presented on the accrual basis of accounting which is in compliance with DHS's Principles of Reimbursement HIM-15. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Depreciation

Depreciation costs are based on the straight-line method which is in compliance with DHS's Principles of Reimbursement HIM-15.

Note 2 - Excess (Deficiency) of Revenue Over Expenses

The State's method of reimbursement for Skilled Nursing Facilities for the Mentally Retarded is based solely on audited expenses and, therefore, does not take into account the excess or deficiency of revenue over expenses.

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
SKILLED NURSING FACILITY/MENTALLY RETARDED  
STATEMENT OF NET SETTLEMENT  
CALENDAR YEAR 1997

	<u>TOTAL</u>
<b><u>PER DIEM RATE</u></b>	
Total Audited Expenses	\$ 3,420,787
Total Days	<u>9,174</u>
Audited Per Diem Rate	372.88
Clothing Per Diem	<u>1.00</u>
Total Per Diem	<u><u>373.88</u></u>
<b><u>RETROSPECTIVE SETTLEMENT</u></b>	
Desk Audit Rate	373.65
Field Audit Rate	<u>373.88</u>
Increase (Decrease) to Rate Paid	0.23
Paid State Days	<u>9,174</u>
Amount Due To (From) DHS 1997	(2,110.02)
Payment Errors Due To (From) DHS	<u>0.00</u>
Total 1997	\$ (2,110.02)
Amount Due To (From) DHS for Prior Years (1993-1996)	425.00
Payment Errors Due To (From) DHS	<u>90,098.03</u>
Total (1993-1997)	\$ 90,523.03
Total Retrospective Settlement Due To (From) DHS	\$ <u><u>88,413.01</u></u>

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SCHEDULE 2

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
SKILLED NURSING FACILITY/MENTALLY RETARDED  
DETAIL OF AUDIT ADJUSTMENTS  
CALENDAR YEAR 1997

	<u>TOTAL</u>
<u>REVENUES</u>	
Room and Board	\$ (40,936)
Social Security Income	15,589
To adjust to actual per analysis	
Interest	(982)
To offset interest income and expense	
Total Revenue Adjustments	\$ <u>(26,329)</u>

<u>EXPENSES</u>	
Wages	\$ (1,638)
To reflect DHS adjustment to administrator's salary	
Rent/Lease of Building	237
Food & Kitchen Supplies	917
To adjust, based on audit of Bay Tower	
Miscellaneous	(136)
To adjust loss on disposal of asset	
Interest Expense	(982)
To offset interest income	
Equipment Depreciation	
DHS adjustment	1,764
To adjust to schedule	<u>1,055</u>
Total Expense Adjustments	\$ <u>1,217</u>

(1993-1996)

<u>PRIOR YEAR ADJUSTMENTS</u>	
Amortization of Leasehold improvements	45
Equipment Depreciation	1,553
Travel - Motor Vehicle	(15)
Purchased Services	<u>(2,008)</u>
Total Prior Year Adjustments to Expenses	\$ <u>(425)</u>

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DEPARTMENT OF HUMAN SERVICES  
TQVARES PEDIATRIC CENTER, INC.  
CALENDAR YEAR 1997

FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations Calendar Years 1989-1992

Recommendation for DHS

1. The amount of \$125,441.39 should be recovered from Tavares Pediatric Center, Inc., by the Department of Human Services in accordance with its current funding policy.

Complied.

DEPARTMENT OF HUMAN SERVICES  
TAVARES PEDIATRIC CENTER, INC.  
CALENDAR YEAR 1997

CURRENT FINDINGS AND RECOMMENDATIONS

Amounts Due to/(from) DHS

As a result of our examination, it has been determined that a net amount of \$88,413.01 is due to the Department of Human Services from the Tavares Pediatric Center, Inc., and is summarized as follows:

	<u>1997</u>
SNF/MR Per Diem Rate	\$ (2,110.02)
	<u>Prior Years</u>
SNF/MR Per Diem Rate	425.00
Payment Adjustments	<u>90,098.03</u>
Total Due To/(From) DHS	\$ <u><u>88,413.01</u></u>

Following is the settlement by year:

1997	\$ (2,110.02)
1996	(561.00)
1995	866.62
1994	45,377.71
1993	<u>44,839.70</u>
Total Due to DHS	\$ <u><u>88,413.01</u></u>

### Review of Client Funds

Our review disclosed that Tavares Pediatric Center, Inc.'s SNF/MR Program client funds were in compliance with the requirements of the funding source.